



Budget

2018-19

Portfolio Budget Statements 2018-19
Budget Related Paper No. 1.4A

Defence Portfolio

Budget Initiatives and Explanations of
Appropriations Specified by Outcomes
and Programs by Entity

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ISBN 978-0-6480977-3-0

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**Senator the Hon Marise Payne
Minister for Defence**

President of the Senate
Australian Senate
Parliament House
CANBERRA ACT 2600

Speaker
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Mr President
Dear Mr Speaker

I hereby submit Portfolio Budget Statements in support of the 2018-19 Budget for the Defence portfolio.

These statements have been developed, and are submitted to the Parliament, as a statement on the outcomes for the portfolio.

I present these statements to provide accountability to the Parliament and, through it, the public.

Yours sincerely

A handwritten signature in blue ink that reads "Marise Payne". The signature is fluid and cursive, with the first name "Marise" being more prominent than the last name "Payne".

Marise Payne

Abbreviations and Conventions

The following notations may be used:

NEC/nec	not elsewhere classified
-	nil
..	not zero, but rounded to zero
na	not applicable (unless otherwise specified)
nfp	not for publication
\$m	\$ million

Figures in tables and in the text may be rounded. Figures in text are generally rounded to one decimal place, whereas figures in tables are generally rounded to the nearest thousand. Discrepancies in tables between totals and sums of components are due to rounding.

Enquiries

Should you have any enquiries regarding this publication please contact Assistant Secretary Financial Coordination, Chief Finance Officer Group, Department of Defence on (02) 6265 7341.

Links to Portfolio Budget Statements (including Portfolio Additional Estimates Statements and Portfolio Supplementary Additional Statements) can be located on the Australian Government Budget website at: www.budget.gov.au.

**USER GUIDE
TO THE
PORTFOLIO BUDGET STATEMENTS**

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USER GUIDE

The purpose of the *2018-19 Portfolio Budget Statements* (PB Statements) is to inform Senators and Members of Parliament of the proposed allocation of resources to government outcomes by entities within the portfolio. Entities receive resources from the annual appropriations acts, special appropriations (including standing appropriations and special accounts), and revenue from other sources.

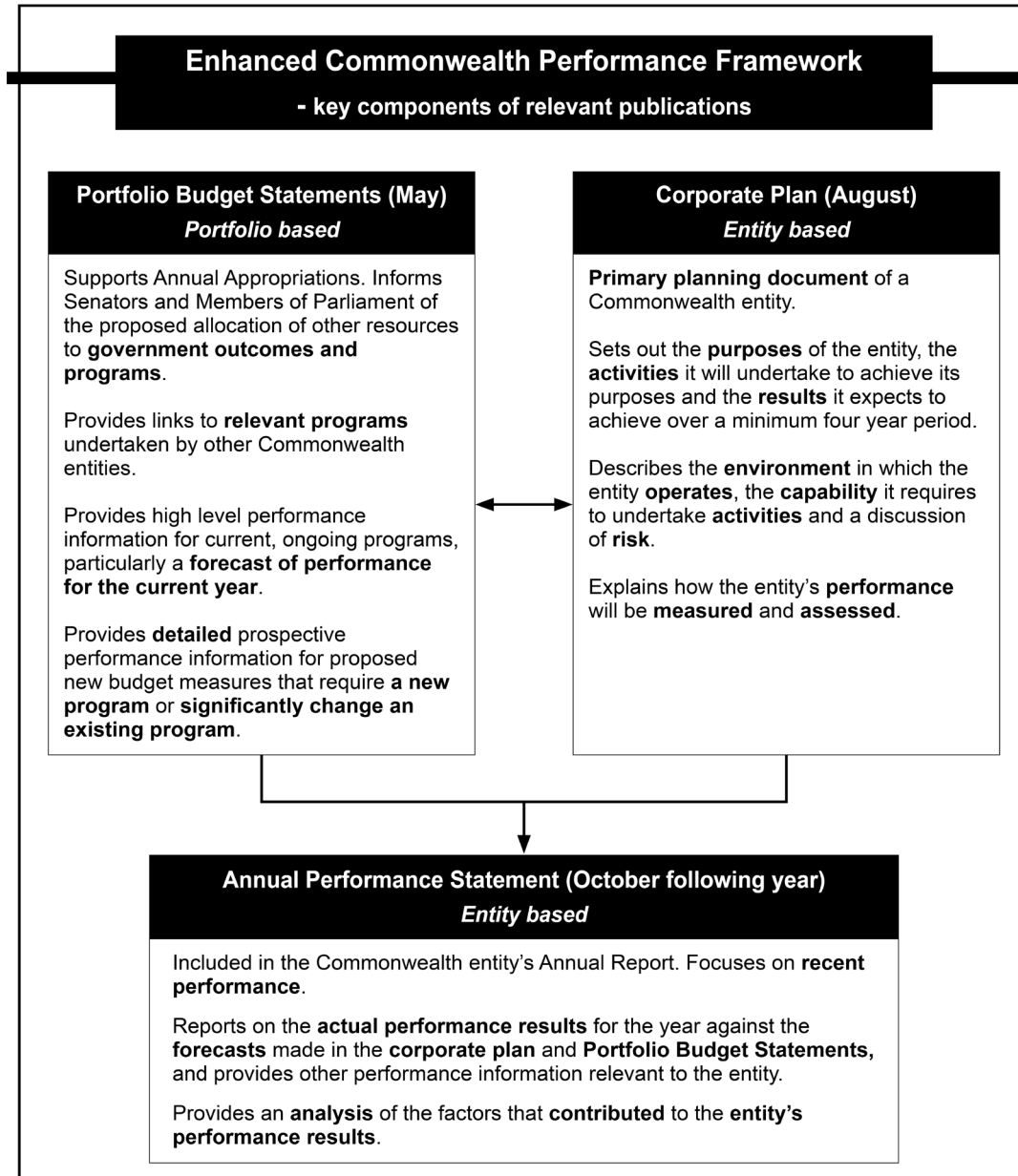
A key role of the PB Statements is to facilitate the understanding of proposed annual appropriations in Appropriation Bills (No. 1 and No. 2) 2018-19 (or Appropriation (Parliamentary Departments) Bill (No. 1) 2018-19 for the parliamentary departments). In this sense, the PB Statements are Budget related papers and are declared by the Appropriation Acts to be 'relevant documents' to the interpretation of the Acts according to section 15AB of the *Acts Interpretation Act 1901*.

The PB Statements provide information, explanation and justification to enable Parliament to understand the purpose of each outcome proposed in the Bills.

As required under section 12 of the *Charter of Budget Honesty Act 1998*, only entities within the general government sector are included as part of the Commonwealth general government sector fiscal estimates and produce PB Statements where they receive funding (either directly or via portfolio departments) through the annual appropriation acts.

The Enhanced Commonwealth Performance Framework

The following diagram outlines the key components of the enhanced Commonwealth performance framework. The diagram identifies the content of each of the publications and the relationship between them. Links to the publications for each entity within the portfolio can be found in the introduction to Section 2: Outcomes and planned performance.



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PORTFOLIO OVERVIEW

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DEFENCE PORTFOLIO OVERVIEW

The Defence Portfolio consists of component organisations that together are responsible for the defence of Australia and its national interests. The most significant bodies are:

- the Department of Defence: a department of state headed by the Secretary of the Department of Defence; and
- the Australian Defence Force (ADF): commanded by the Chief of the Defence Force and consisting of the three Services, which are commanded by Service Chiefs.

In practice, these bodies work together closely and are broadly regarded as one organisation known simply as Defence.

The portfolio contains some smaller entities, including a number of statutory offices, trusts and companies created by the *Public Governance, Performance and Accountability Act 2013*, *Defence Force Discipline Act 1982* and *Defence Act 1903*, which are independent but reside administratively within the Defence Portfolio. These include, amongst others, Australian Signals Directorate (ASD), Defence Housing Australia (DHA) and the Australian Strategic Policy Institute (ASPI).

The portfolio also contains the Department of Veterans' Affairs and associated bodies, as designated in the Administrative Arrangements Order. The Department of Veterans' Affairs is administered separately to Defence and information related to the Department can be found in the Department of Veterans' Affairs portfolio budget and portfolio additional estimate statements.

Defence's primary role is to protect and advance Australia's strategic interests through the promotion of security and stability, the provision of military capabilities to defend Australia and its national interests, and the provision of support for the Australian community and civilian authorities as directed by Government. The Defence budget, inclusive of the ASD, will grow to two per cent of Australia's Gross Domestic Product by 2020-21. This growth equates to approximately \$200 billion in Australia's Defence Capability over 10 years. In fulfilling this mission, Defence has two Purposes:

- 1. Defend Australia and its national interests**
- 2. Protect and advance Australia's strategic interests**

Through implementation of the 2016 Defence White Paper, released by the Prime Minister and Minister for Defence on 25 February 2016, Defence will continue to build and enable capability to support national security interests and promote them in a region that is growing more complex and dynamic. The White Paper sets out the Government's comprehensive long-term plan for Australia's defence, designed to maintain alignment of strategy, capability and resources.

Defence has made significant progress in recent years implementing the First Principles Review and the 2016 Defence White Paper. However, there remain some challenges. Defence needs to continue to embed reforms and ensure that they are adopted across the organisation. During 2018-19, Defence will focus on improving the capability life cycle, capability acquisition and sustainment reforms, service delivery, information and communications technology and behaviours.

Beyond the First Principles Review, there are also challenges associated with the recapitalisation of Defence outlined in the 2016 Defence White Paper. This is particularly true for shipbuilding, where Defence is leading what is a significant national enterprise. Collective effort is required from other Commonwealth departments, state and territory governments and industry in order to be successful. Relationships will be coordinated and harmonised through a detailed governance structure, to maintain clarity of communication and decision making.

Defence has one of the largest capital investment programs in the Commonwealth, consisting primarily of acquisition, sustainment and support of Defence materiel. Introduced at the same time as the 2016 Defence White Paper, the Integrated Investment Program includes all capital and related investments (such as materiel, estate and facilities, and information and communications technology).

The Integrated Investment Program is supported by a contestability function that informs the development of the risk assessment and decision support framework to ensure that acquisitions are aligned with strategy and resources. Upgrading Australian Defence Force bases and logistics systems, including fuel and explosive ordnance facilities, in accordance with 2016 Defence White Paper requirements, remains a priority.

The First Principles Review identified that organisational capability is derived from a strong work force enabled by modern and effective security services, facilities and estate, information management and information and communications technology, people management systems, legal services, and health and logistics, supported by an integrated service delivery system. A service delivery framework was developed as part of First Principles Review implementation. The focus for the framework in 2018-19 involves standardising services, removing duplication of functions, professionalising the workforce and ensuring there are single, clear lines of ownership and accountability.

More broadly, Defence's engagement with defence industry is also a priority. The Australian defence industry employs around 25,000 people, with over 3,000 small to medium enterprises operating in Australian defence industry. Defence's ability to deliver capability relies on a stronger relationship with Australian defence industry and future defence procurement will be underpinned by a strategic contracting approach through collaborative relationships with industry.

Implementation of the Defence Estate Strategy 2016-2036 will also continue during 2018-19. Defence has the most extensive land and property holdings in Australia, and the strategy provides enterprise-level direction on how Defence will manage this estate to ensure it is strategically aligned, safe, sustainable and affordable, and enables Defence capability and operations.

Defence will support the Australian Signals Directorate following its establishment as a statutory agency, so that the Australian Signals Directorate is able to meet current and future national intelligence challenges with appropriate resources and autonomy, while remaining in the Defence portfolio and continuing to closely support the Australian Defence Force.

Ministers and their Portfolio Responsibilities

CHANGES AFFECTING THE PORTFOLIO

The Hon Darren Chester MP was sworn in on 5 March 2018 as the Minister for Veterans' Affairs, Minister for Defence Personnel and Minister Assisting the Prime Minister for the Centenary of ANZAC, replacing the Hon Michael McCormack MP.

The Ministers and their portfolio responsibilities are as follows:

Senator the Hon Marise Payne, Minister for Defence

- Strategic policy
- ADF Operations
- International Engagement
- Budget
- Defence White Paper implementation
- Force Structure
- Development of capability requirements
- Capability/cost trade off during capability life cycle
- Intelligence and Security
- ICT

The Hon Christopher Pyne MP, Minister for Defence Industry

- Delivery of capability acquisition and sustainment projects
- Development of Australian industry involvement during capability life cycle
- Deliver Defence Industry agenda
- Support and develop Australian Defence Industry
- Encourage Australian Defence Industry involvement in global supply chains
- Implementation of Naval Shipbuilding Plan
- Centre for Defence Industry Capability
- Defence Innovation Hub
- Next Generation Technology Fund
- Defence Science and Technology

The Hon Darren Chester MP, Minister for Veterans' Affairs, Minister for Defence Personnel and Minister Assisting the Prime Minister for the Centenary of ANZAC

- Estate
- Garrison and Personnel support
- Estate and equipment disposals
- Military justice
- Honours and Awards
- ADF Cadets
- Reserves
- Parliamentary exchange program

PORTFOLIO STRUCTURE AND OUTCOMES

Figure 1: Defence Portfolio Structure and Outcomes

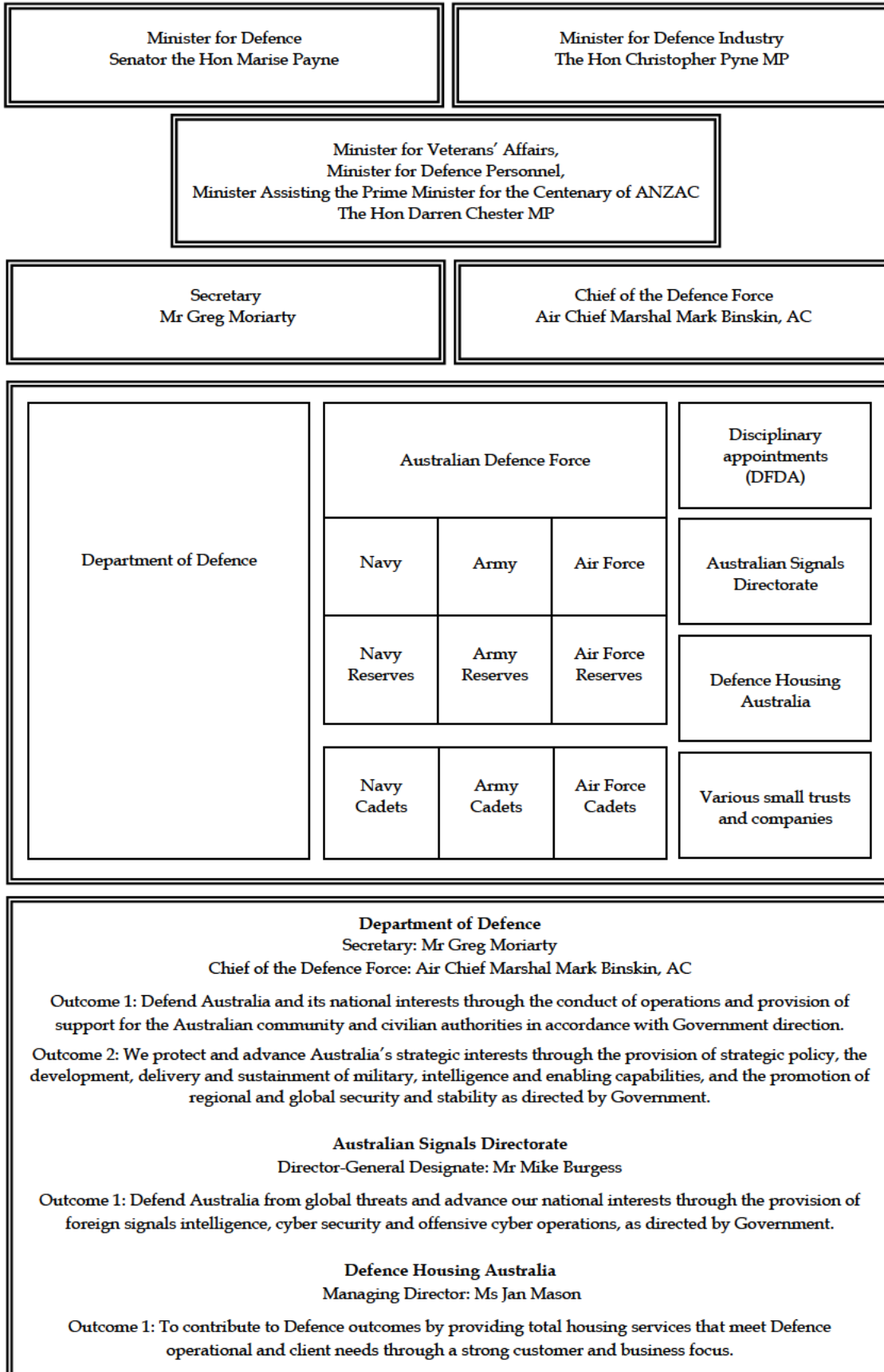
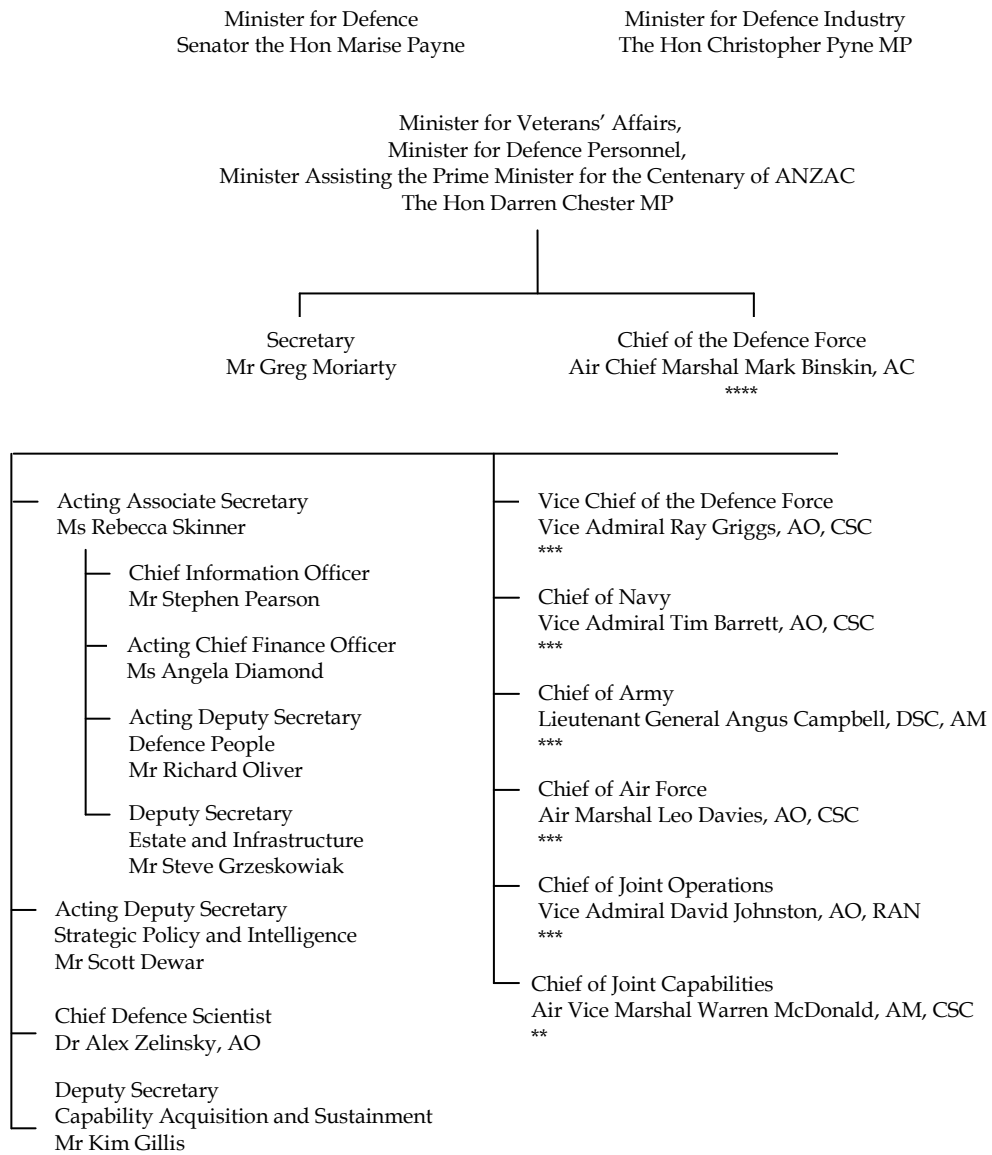


Figure 2: Defence Organisational Chart



Stars (*) refer to ADF Star Rank

This Defence Organisational Chart is effective at the time of this publication release.

Defence delivers five principal outputs to Government

The Joint Force-in-Being

The standing, prepared force that provides options to Government for future joint force operations.

Joint Force Operations

The coordinated use of the Joint Force-in-Being, often with other instruments of national power, to meet national strategic objectives.

National intelligence products

All-source intelligence assessments and other products to support Defence and national-level decision making and the planning and conduct of ADF and other operations.

Engagement and advice to Government

The suite of relationships between Defence and the Government and Parliament, with other agencies of Government, other governments and defence forces, Australian industry and the wider Australian community, as well as the provision of advice to Government on all aspects of Defence's activities.

Obligations to Government

The breadth of obligations and compliance requirements that form the basis of Defence's relationship with Government and the Australian community.

Senior Executive Changes

The following changes have taken place since the *2017-18 Portfolio Additional Estimates Statements (PAES)*:

- On 1 March 2018, the Deputy Director-General Australian Signals Directorate position was established and Lieutenant General John Frewen, AM, was appointed.
- On 5 March 2018, Ms Roxanne Kelley, the previous Deputy Secretary Defence People, transferred to the Department of Social Services.
- On 5 March 2018, Mr Richard Oliver commenced acting as the Deputy Secretary Defence People.
- On 6 March 2018, Mr Brendan Sargeant, the previous Associate Secretary, retired from the Australian Public Service.
- On 3 April 2018, Mr Scott Dewar commenced acting as the Deputy Secretary Strategic Policy and Intelligence.

Organisational Structure

No changes have taken place since the 2017-18 PAES.

Program Structure

No changes have taken place since the 2017-18 PAES.

Defence Portfolio Bodies

Army and Air Force Canteen Service

Chairman: Ms Leonie Taylor

The Army and Air Force Canteen Service (AAFCANS), a Commonwealth authority established under the Army and Air Force Canteen Service Regulations 1959 supplies goods, facilities and services to, or for the entertainment and recreation of, members of the Army and the Air Force including persons employed in, or in connection with, Army or Air Force installations and dependants of those members or persons, visitors to such installations and members of the Australian Army or Air Force Cadets.

Australian Military Forces Relief Trust Fund

Chairman: Brigadier Leigh Wilton

The Australian Military Forces Relief Trust Fund, a Commonwealth authority established under the Services Trust Funds Act 1947, provides benefits to members of the ADF who have served in, or in association with, the Army and to the dependants of such members.

Royal Australian Air Force Veterans' Residences Trust

Chairman: Air Commodore (Rtd) David E. Tindal, AM

The Royal Australian Air Force Veterans' Residences Trust, a Commonwealth authority established by the Royal Australian Air Force Veterans' Residences Act 1953, provides residences in which eligible former members, including dependants, of the Royal Australian Air Force, Royal Australian Air Force Nursing Service and Women's Auxiliary Australian Air Force who are in necessitous circumstances and, if the Trust so approves, the dependants of such eligible persons, may be accommodated or supported.

Royal Australian Air Force Welfare Trust Fund

Chairman: Chaplain (Air Commodore) Mark Willis

The Royal Australian Air Force Welfare Trust Fund, a Commonwealth authority established under the Services Trust Funds Act 1947, provides benefits for members of the Defence Force who have served in, or in association with, the Royal Australian Air Force and to the dependants of such members.

Royal Australian Navy Central Canteens Board

Chairman: Commodore Michael Miko

The Royal Australian Navy Central Canteens Board (RANCCB), a corporate Commonwealth entity established under the Navy (Canteens) Regulations 1954, administers the Royal Australian Navy Central Canteens Fund. The principal activities of the RANCCB are to provide welfare and lifestyle related benefits and services to Navy members and their families.

Royal Australian Navy Relief Trust Fund

Chairman: RADM Brett Wolski

The Royal Australian Navy Relief Trust Fund, a Commonwealth authority established under the Services Trust Funds Act 1947, provides benefits for members of the Defence Force who have served in, or in association with, the Navy and to the dependants of such members.

AAF Company

President: Brigadier Leigh Wilton

The AAF Company is a Commonwealth company that undertakes the management and trusteeship of the unincorporated funds known as the 'Army Amenities Fund' and the 'Mess Trust Fund'. The AAF Company promotes and supports the objects of the Army Amenities Fund which provides amenities for members of the Australian Army.

Australian Strategic Policy Institute Limited

Chairman: Lt Gen (Rtd) Ken Gillespie, AC, DSC, CSM

The Australian Strategic Policy Institute Limited is a Commonwealth company that provides policy-relevant research and analysis to inform Government decisions and public understanding of strategic and defence issues.

Royal Australian Air Force Welfare Recreational Company

Chairman: Air Commodore Phillip Tammen

The Royal Australian Air Force Welfare Recreational Company is a Commonwealth company that provides access to discounted recreational accommodation and manages and promotes the Royal Australian Air Force Central Welfare Trust Fund owned recreational facilities for the Royal Australian Air Force members, their families and other eligible persons. It also provides financial support to, and assists in the provision of, recreational facilities and services to the Royal Australian Air Force members.

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